

MATO GROSSO: Brazil's Agricultural Giant on the Pathway to State-Wide Sustainability

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CONTEXT

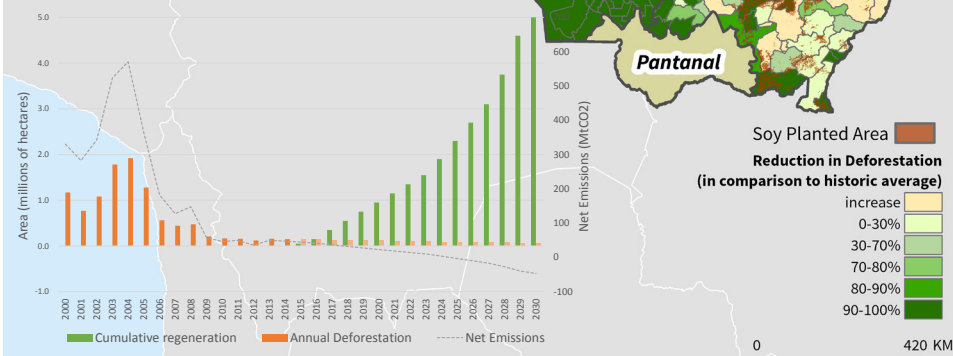
Mato Grosso has already reduced deforestation 86%, while also achieving huge gains in soy and beef production through intensification. By slowing deforestation, Mato Grosso is a global leader in climate change solutions. Despite this success, producers, government, and companies in the state have received very little climate finance or market recognition.

Mato Grosso could achieve zero net deforestation and zero net forest carbon emissions if the right incentive systems are put in place. A multi-sector dialogue, involving several companies and organizations of the beef, soy and finance sectors, along with several civil society organizations, is discussing this theme.

MATO GROSSO More Food, More Forests, Fewer Emissions

- 86%** REDUCTION OF DEFORESTATION (below Amazon 1996-2005 average)
- 60%** OF AMAZON FOREST STANDING
- 2 Gt CO₂** REDUCTION OF EMISSIONS FROM DEFORESTATION (2006-2014)
- 132%** INCREASE IN SOY PRODUCTION (above 1996-2005 average)

One Possible Pathway to Zero-Net Deforestation and Zero-Net Emissions by 2020



PROGRESS IS FRAGILE

- **Opportunity Costs:** Five million hectares of forest on prime soy land
- **Fragmented deforestation agenda:** many initiatives designed to lower deforestation, each with its own definition of success
- **Missing Carrots:** lack of positive incentives for farmers and local governments striving for sustainability; farm credit difficult to access
- **Smallholders Left Out:** Agrarian reform settlements still largely abandoned; growing share of deforestation

GOAL

A unified approach that drives the transition to sustainable, equitable, productive commodity supply chains and rural development across the entire state.

+ **FIGURE 1** Mato Grosso is on the pathway to state-wide sustainability, with significant reductions in deforestation across most counties. The “Multi-Sector Dialogues” process and the “Territorial Performance System” strategy, is seeking to build upon this progress.

STRATEGY: A TERRITORIAL PERFORMANCE SYSTEM

- **Positive incentives** to reward governments, businesses, and farmers that are making the transition to sustainability
- **Consensus** on the time-bound milestones for measuring success in the transition to sustainable development
- **Multi-Sector Governance Structure** to facilitate implementation of the system
- **Online Monitoring system** for reliable, transparent reporting on progress towards milestones

The Territorial Performance System strategy is fruit of the “Forests, Farms and Finance Initiative” (3FI). It includes 10 formal partners and is described at: <http://earthinnovation.org/our-work/global/>.

INCENTIVES

FINANCING INNOVATION TERRITORIES

Mato Grosso can succeed in its transition to sustainability if appropriate incentive systems are in place for farmers, governments and businesses. Incentives can come in the form of finance or streamlined bureaucracy.

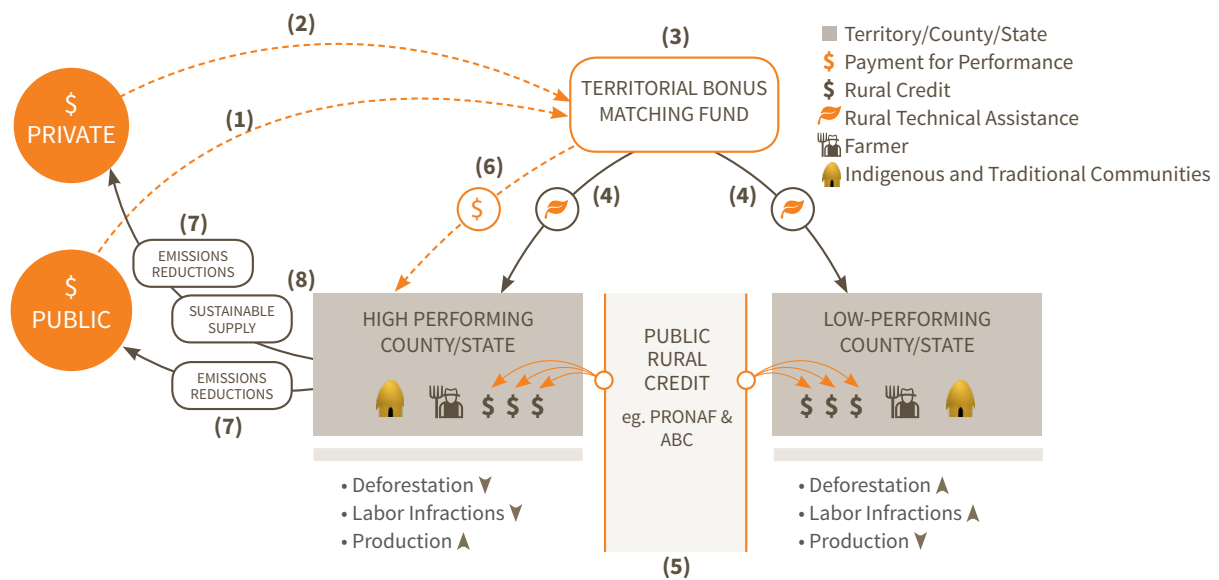
EII is developing a “territorial performance fund” to provide technical assistance and financial incentives to farmers and local governments in a way that rewards territorial (i.e. collective) performance. The program is a way to 1) mobilize public rural credit for investment in productivity and sustainable practices and 2) create stronger local governments to foster environmental governance, 3) engage companies through a matching fund, 4) improve rural technical assistance, and 5) provide territorial and farm-level incentives based on performance.

MEASURING SUCCESS

- **Farm level:** Producers must demonstrate implementation of innovative, sustainable practices.
- **Territorial level:** The Territorial Performance Monitoring Platform tool (see page 4), a fully transparent, web-based mapping tool, will be utilized to measure indicators of deforestation, agricultural productivity, and legal compliance to facilitate the delivery of incentives to high performing counties/states.

OTHER INCENTIVE SYSTEMS

Incentives for farm and territorial performance can also be achieved by streamlining regulations, increasing access to credit, and through the contracts between agricultural product buyers and farmers.



HOW THE FUND WOULD WORK:

- (1) Territorial Performance Fund is launched with commitments of \$20-30m in public climate finance
- (2) Businesses and donors pledge matching contribution
- (3) “Territorial Performance Fund” launched through competitive Request for Proposals
- (4) Technical support provided to farmers and communities in counties that win competition
- (5) Public agricultural credit accessed by farmers
- (6) Territorial “bonus” to farmers, communities and local governments in high performing municipios
- (7) Emissions reductions flow to contributing companies and donors
- (8) Sustainable supply of commodities flow to companies

+ **FIGURE 2** In the “Territorial Performance Fund” initiative, counties and farm organizations would join forces to compete for grants that support farmers to access credit programs and increase productivity. High-performance, such as declining deforestation, would trigger additional payments to governments and farmers.

CONSENSUS

To foster a unified approach to slowing deforestation and address other key sustainability criteria, several multi-sector dialogues have taken place, with participation from over 50 organizations.

At these meetings, government agencies, soy and beef traders, processors, producers, retail companies, financial institutions and civil society are all at the table to develop regional, “territorial” approaches to key sustainability criteria. This process is supporting and inter-connecting the many important initiatives focused on sustainable land-use within a positive agenda of change called “low-emission rural development”. The result is a growing convergence among participants around the jurisdictional or “territorial” approach that is needed to take the transition to sustainability to scale.

This group is building consensus among the soy, beef and finance sectors on a pathway to zero-net deforestation by 2020 (Figure 1), while increasing agricultural productivity and reducing labor law infractions. Other important socio-environmental attributes to be added to the agreement in the near future. Progress towards targets will depend upon successful implementation of positive incentives, such as Figure 2.

MULTI-SECTOR GOVERNANCE

To coordinate the implementation of the Territorial Performance System strategy, a Multi-Sector Governance Structure will be formed that represents the key stakeholder groups. A key function of the Structure

STEERING COMMITTEE OF THE MATO GROSSO TERRITORIAL PERFORMANCE SYSTEM STRATEGY

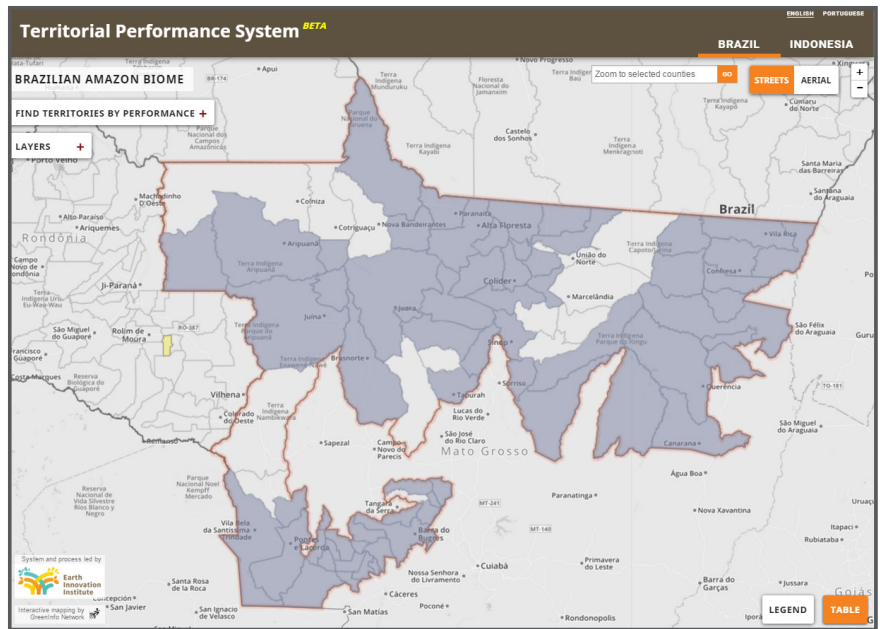
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is to reinforce regional governance of the TPS and mediate relations between regional and market interests. While maintaining active involvement of key government agencies, the Structure will operate externally to government in order to provide institutional sustainability through election cycles and guarantee equal representation to all stakeholder groups.



MONITORING PLATFORM

The Territorial Performance Monitoring Platform is a web-based mapping tool that uses existing, credible data sources to efficiently monitor sustainability indicators at the territorial scale¹. The Territorial Performance System strategy requires a monitoring platform to: (1) allow businesses, farm sectors and local governments to easily view the performance of the regions they are active in, (2) track success toward performance targets established through the multi-sector dialogues and (3) facilitate the delivery of incentives to farmers to transition to low-emission, low-deforestation production systems. A common monitoring platform for government, private sector, and civil society can work to align initiatives and scale-up positive impacts.



+ FIGURE 3 Mato Grosso on the Territorial Performance Monitoring Platform for the Brazilian Amazon Biome. The Counties in blue have already achieved 80% reductions in deforestation. The Cerrado Biome will soon be added to the platform. Platform can be accessed at: monitoring.earthinnovation.org

KEY OPPORTUNITIES IN MATO GROSSO

- **A Common Vision for the Pathway to Zero Net Deforestation:** Soy, beef and finance sectors are converging on time-bound, state-wide milestones for reducing deforestation while increasing productivity
- **Align existing sustainable supply chain initiatives and domestic policy:** Soy Moratorium is ending in 2016; Commodity Roundtables looking to scale-up to jurisdictional certification; REDD not yet fully implemented; New Forest Code and CAR needs full implementation

1 A territory is defined as a political geography or jurisdiction, such as a county, state, watershed, indigenous territory or entire nation. We use this term in a general context describing all possibilities of the term, and it is synonymous to jurisdiction.



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